

**WATER ALLOCATION
PROGRAM ADVISORY COMMITTEE**

**MEETING PROCEEDINGS
Thursday, July 24, 2003**

1. RATES/FEES/ALTERNATIVES COMMITTEE PRESENTATION

Jeanne Bondarevskis, Chief Financial Officer for the Providence Water Supply Board presented the findings of the committee. (*See attached presentation*) The mission of the committee is: Using economic analysis and other means, identify ways that water and wastewater rate structures can be modified to better reflect the cost of using water and preserving the resource. Proposed rate structures would encourage conservation, efficient water management, and consider affordability and equity implications. Investigate the use of fees and other alternative strategies to reduce, reuse, or recycle water.

The committee set out to perform an assessment of current fee structures and rates (for water and wastewater) and to make recommendations for water pricing strategies which consider the full cycle of water and future supply needs. Priority tasks included:

- Preparing a spreadsheet of water rates statewide
- Investigating standardization water bills for educational/informational purposes
- Investigating a “Demand Side Management” charge, i.e., Conservation Fund
- Evaluating the use of other fees (hydrant fees, registration fees, impact fees), seasonal rates and preferred rates for those that optimize water use

Ms. Bondarevskis explained that the committee calculated potential revenue from a DSM charge using water consumption data. It was evident that the committee performed a great deal of research and collected, analyzed and synthesized existing data to reach their varied findings. The committee did not have time to explore every facet of water rates and fees; however, primary recommendations included the following:

A. Fair and reasonable rates

- Eliminate flat or fixed water and sewer rates and tie rates to volume of water used; use preferred (lower) rates for those using less water or reusing water; use seasonal (higher) rates or temporary drought surcharges during periods of water scarcity;
- Establish a “consumption per capita” standard that considers household size; consider an excess use rate over the standard rate.

B. Fees

- Consider a Water Allocation fee for all water users, public and private; prepare a list of WAP initiatives that the fee would pay for; conduct a feasibility analysis regarding program implementation (user groups, fee collection process, administering authority, restricted receipts, etc.)
- Consider other fees, such as impact fees, system development fees, pump fees.

C. Alternatives

- Billing Standardization: encourage suppliers to increase frequency of billing, depict # of days in the billing cycle, show consumption history, and reserve space for conservation messages; encourage suppliers to convert HCF to gallons on bills; encourage suppliers to follow national accounting standards for the industry; investigate combined water and wastewater billing or education
- Revise state plumbing and building codes and/or local ordinances to require water efficient fixtures and appliances and water meter installation. Equip irrigation meters with sensors for automatic shut off
- Encourage communities and suppliers to standardize response to drought (water restrictions, drought surcharges, etc.)
- Conservation Education: encourage a conservation mindset among water suppliers and the public

Ms. Bondarevskis was recognized for a thorough and excellent presentation. Discussion ensued regarding various “price” programs and “nonprice” programs. A question was asked regarding whether the current Water Quality Protection Charge could be a vehicle through which to finance WAPAC recommendations instead of a new WAP fee. Ms. Bondarevskis clarified that to be fair, the WAP fee would be assessed on all water users, not just customers of major suppliers. However, it was acknowledged that most of the state’s population is served by public water suppliers. Ms. Bondarevskis explained that a new database would be needed to capture data for private, self-supply users. Other committees have indicated that information on private wells represents a data gap. A major benefit of including private well owners would be better monitoring and protection of groundwater resources for everyone. Other questions addressed how a WAP fee would be administered (central authority or local authority) and whether the funds would be put into a restricted receipt account. Ms. Bondarevskis gave different scenarios on how this could be accomplished, pointing out that some methods resulted in less rate stability than others. Conservation was also a strong theme in discussion, rather than the use of price incentives.

There was general agreement that more metering is necessary, from both a data standpoint as well as a water supply billing standpoint. Problems with accounting software (costs to implement) used by water suppliers were noted. The industry trend toward greater use of automated meter reading was promoted as a way to increase the frequency of data collection and billing for both information needs as well as for public awareness. Ms. Bondarevskis explained the importance of pricing water according to its full value, but that it differed from water system to water system. She stated that the RI Public Utilities Commission only allows regulated utilities to base costs on actual service, not the cost of the “commodity” itself, or the cost to provide it in the future. The group agreed that water management is important in terms of recharging existing sources.

Discussion moved to affordability and problems in urban neighborhoods where there is still a prevalence of inefficient water fixtures. Statistics indicate that Rhode Islanders can afford to pay more for water when compared to a national affordability index. Ms. Bondarevskis illustrated the complexities of rate structures that could account for different blocks of

customers, but that would be difficult to implement. The committee felt that conservation education was the first line of defense.

2. INPUT TO EDUCATION COMMITTEE

Ms. Whitehouse explained that the committee needed to hear from all the WAPAC committees regarding key education messages. She emphasized the need to develop a few, major message points to give to reporters and legislators. She gave the group a sense of what the legislative deadlines were and the need to pre-file a water allocation bill that, ideally, had already been vetted. She believes the issue is complicated and that hearings and public information sessions would be necessary. Mr. Payne was concerned that if the bill's components were not well thought out, then there could be snags in the approval process. He urged the committee to take its time and "get it right". Mr. Meyer indicated the need to have 80%-90% support from the WAPAC before moving forward.

3. OTHER BUSINESS

Board staff explained that the next meeting would be in September to allow the committees time to draft reports. The August meeting was cancelled.

Prepared by Connie McGreavy.

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